

SIEMENS

Siemens Corporation
Government Affairs

701 Pennsylvania Ave., N.W.
Suite 720
Washington, DC 20004

Mark Erherick
Director
Government Affairs

Tel: (202) 434-4803
Fax: (202) 347-4015
Cellular: (202) 412-8369
mark.esherrick@siemens.com

98-147

SIEMENS

ORIGINAL

ORIGINAL RECEIVED

NOV - 1 2002

November 1, 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Marlene Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

EX PARTE OR LATE FILED

Re: Ex Parte Notice in CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

This letter is to provide notice in the above-captioned proceedings of an ex parte meeting on October 31, 2002 by Perry Kamel, Executive Vice President, Strategy and Marketing, Siemens Information Carrier Network and Mark Esherick, Director of Government Relations, Siemens Corporation with Jeffrey Carlisle, Aaron Goldberger, Robert Tanner, Scott Bergmann and Sam Feder. The purpose of the meetings were to discuss the attached presentation, which is being filed in the dockets listed above.

Siemens made two major points during the meetings. In order to accelerate the return to innovation, growth and prosperity, to the benefit of end-users, the industry and the overall economy, policies must address the root economic challenges and causes of the current circumstances by enabling accelerated migration to new, converged broadband network infrastructures that are optimized for the new environment. Current federal and state unbundling and pricing rules impede investment in critically need new convergent infrastructures.

Pursuant to Section 1.1206 of the FCC's rules, this notice and the meeting presentation are being for inclusion in the public record of each of these proceedings. If you have any questions, please contact me.

Sincerely,

Mark Esherick
Director of Government Affairs

No. of Copies rec'd _____
List ABOVE _____

0

Information
and Communication
Networks

Transforming Telecom (The Case for Convergence)

Perry Kamel
Executive Vice President, Marketing
Siemens ICN U.S.

EX PAK16

Getting From Here to There

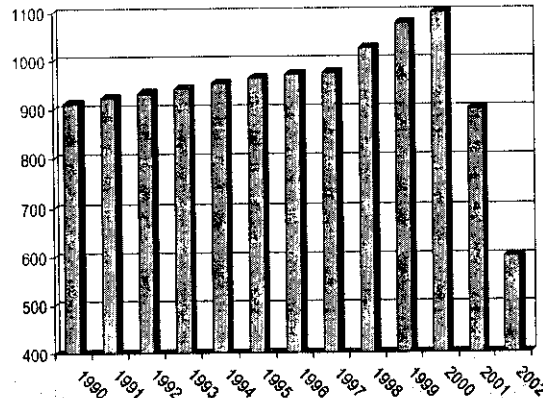
- **Why is the telecom industry in turmoil?**

 *Roof causes & consequences*

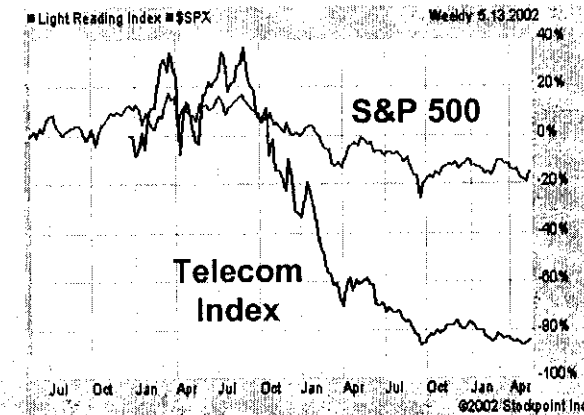
- **What will it take to get it back on track?**

 *Why “True” convergence is imperative*

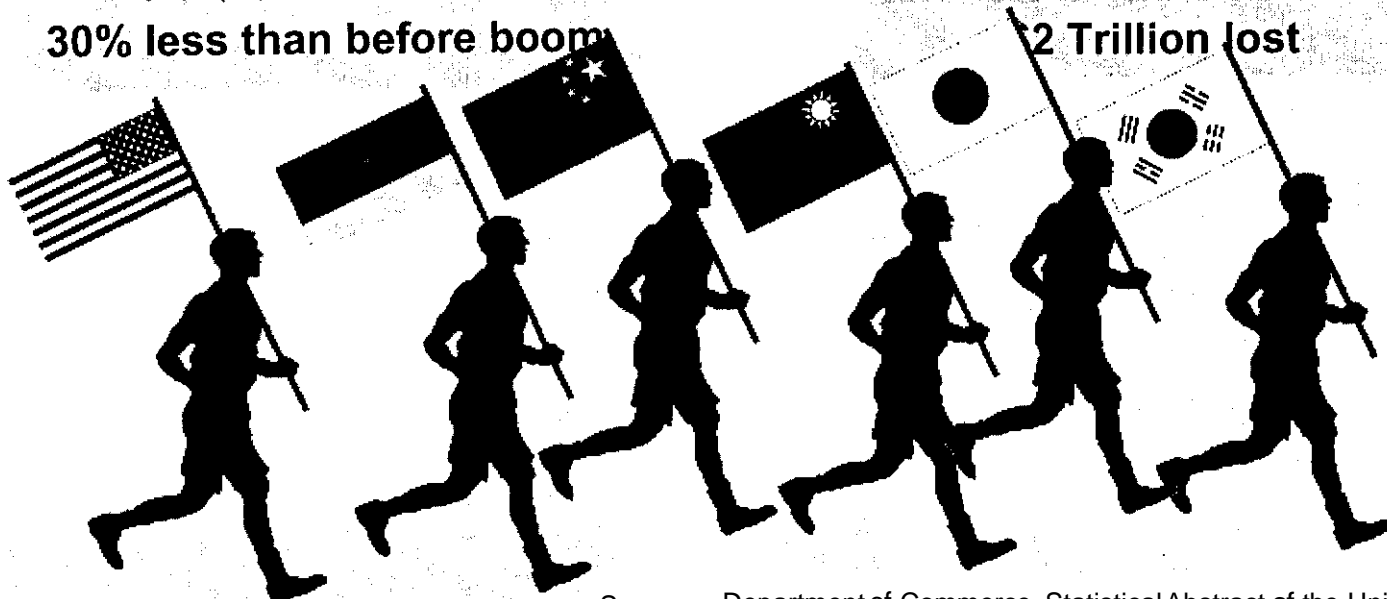
The U.S. Telecom Industry is Facing Extraordinary Challenges



30% less than before boom



2 Trillion lost

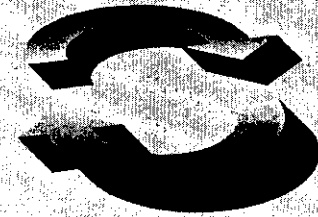


Source: Department of Commerce, Statistical Abstract of the United States, September 1998 and 2002 Update; LightReading, May 2002; Stockpoint. Inc.

Many Theories ... "Survey Says":*(Weighted Responses By Industry Analysts & Telecom Professionals)*

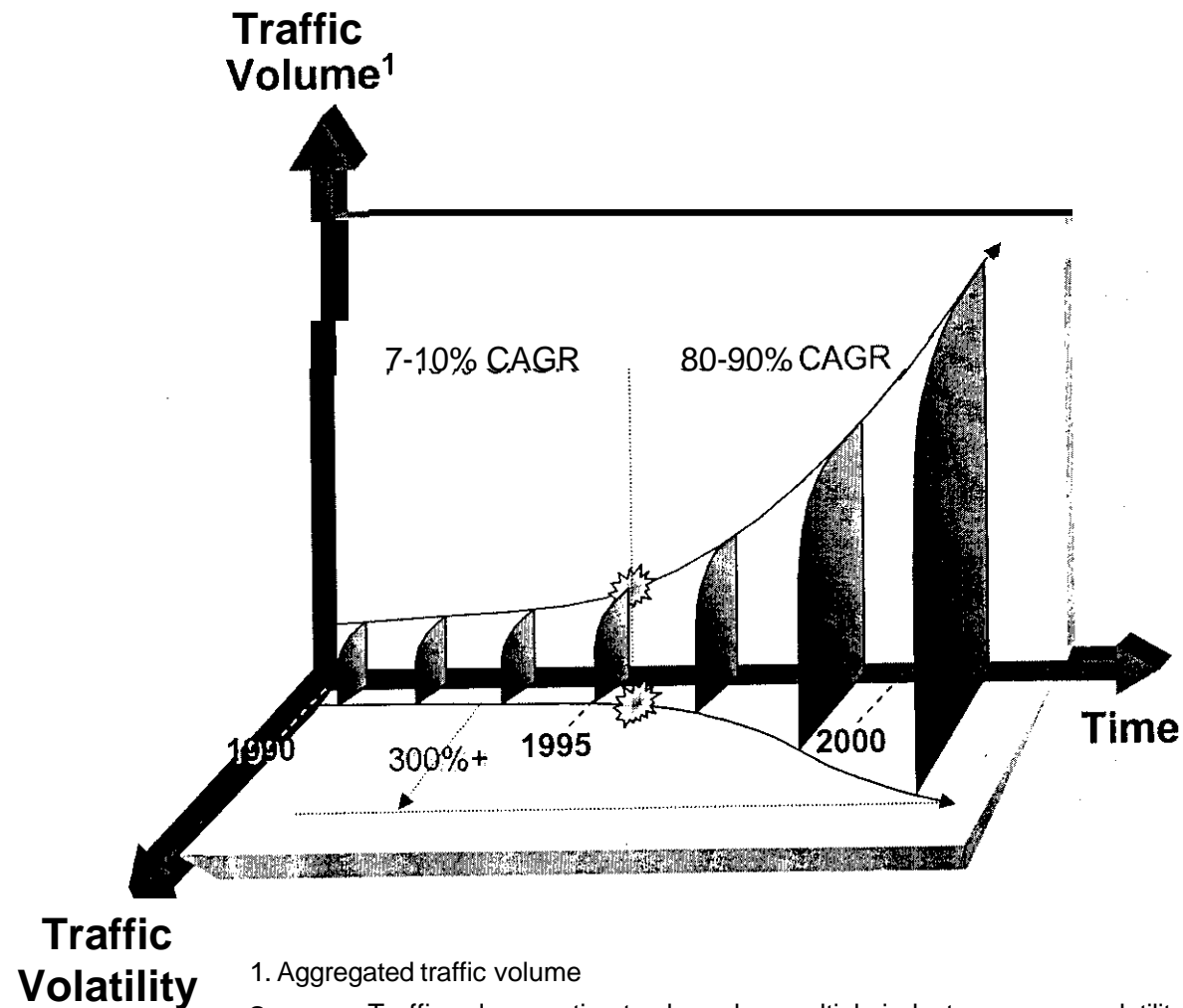
- # 1: Lack of Revenue Growth – (4)
- # 2: Carrier Capex Constraints – (8)
- # 3: Regulatory Obstacles – (14)
- # 4: Diminishing Returns on Carrier Capex – (14)
- # 5: Second Line Substitution w/ Cable & Wireless – (20)
- # 6: Diminished Carrier Resources (e.g., Employees) – (21)
- # 7: Economic Recession (Reduced End-User Spending) – (23)
- # 8: Falling LD Rates w/ Increased Volumes – (27)
- # 9: PSTN Bypass Stranding Investments – (28)
- #10: Big Email Attachments w/ No Related Revenue – (29)

Cause?



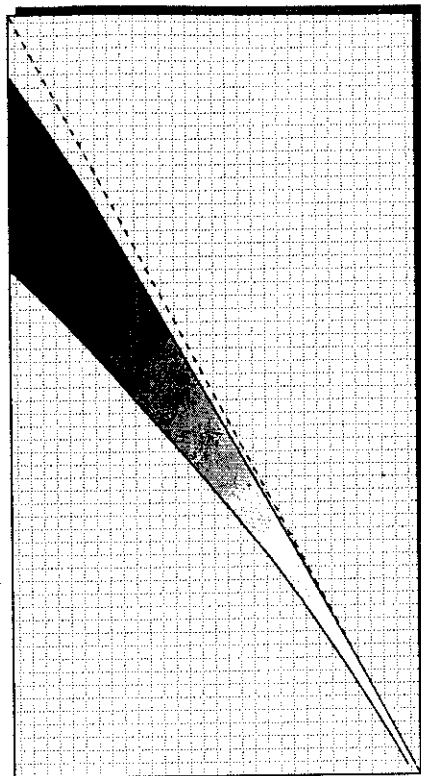
Effect?

Boiling Things Down to the Root Causes...

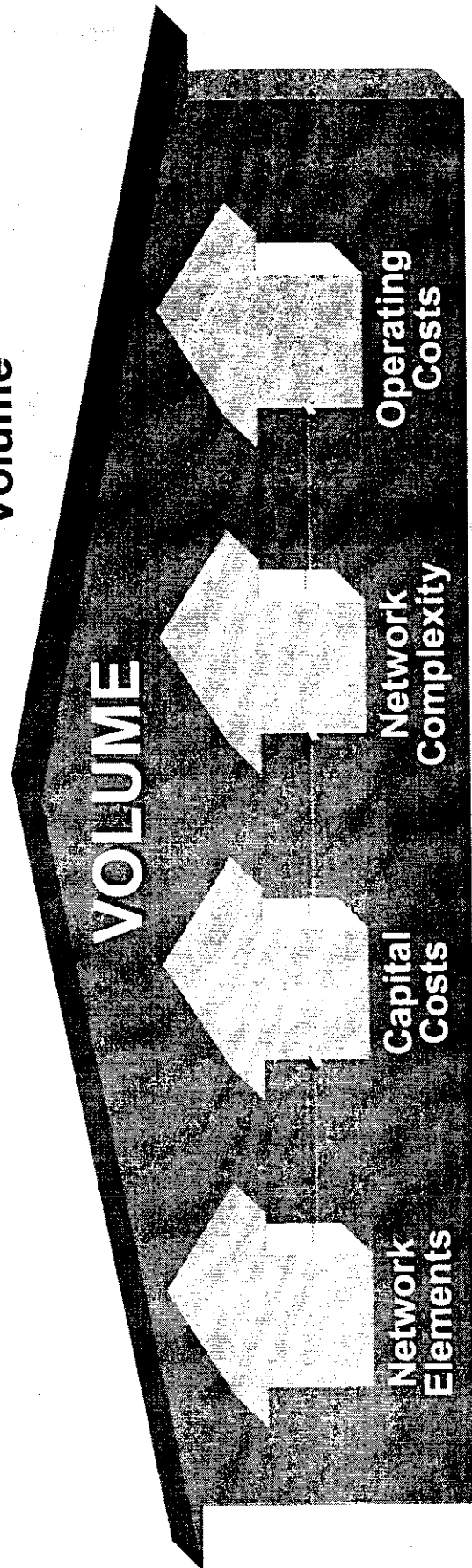


The Scalability Challenge:

Traditional approaches weren't designed for rapid traffic growth

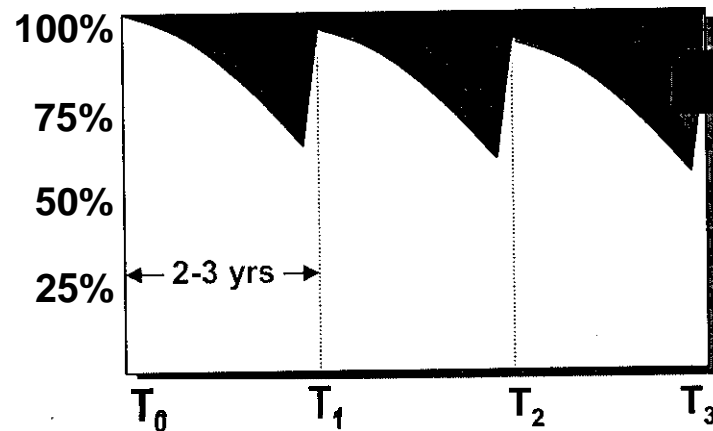


Traffic Volume



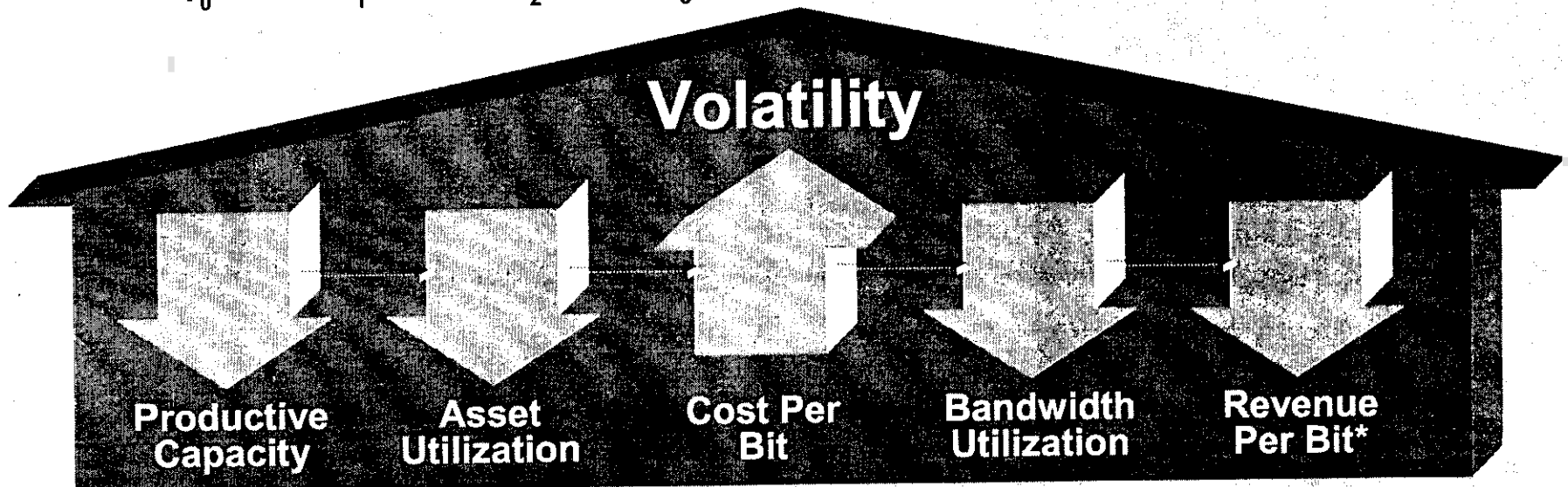
The Volatility Challenge:

Bandwidth Utilization
(% of productive bandwidth)



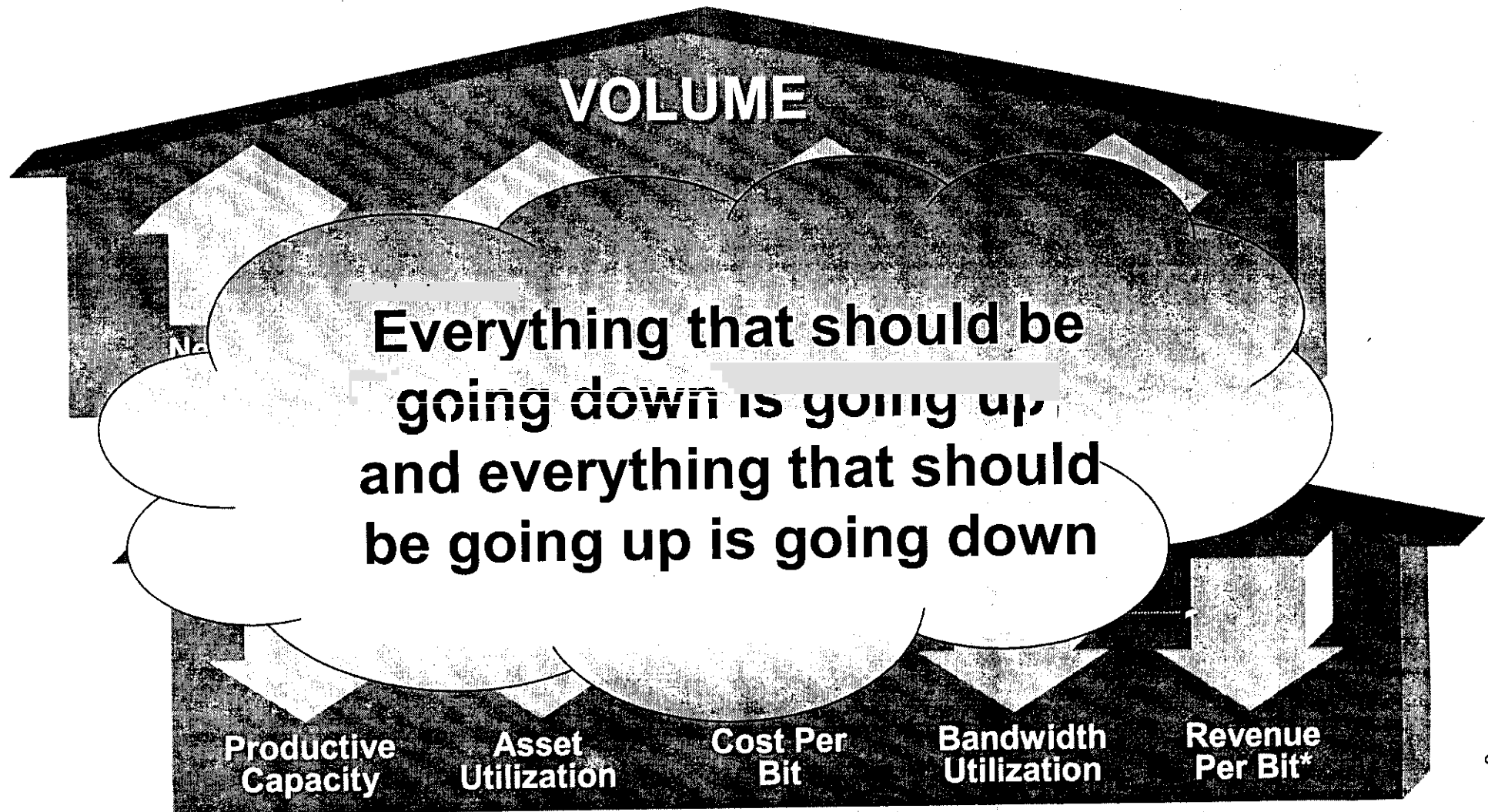
Stranded Bandwidth

- Up to 20-30% can be stranded w/in 2-3 years
- Reoptimizations are costly, time consuming and potentially risky



*Revenue per bit deployed

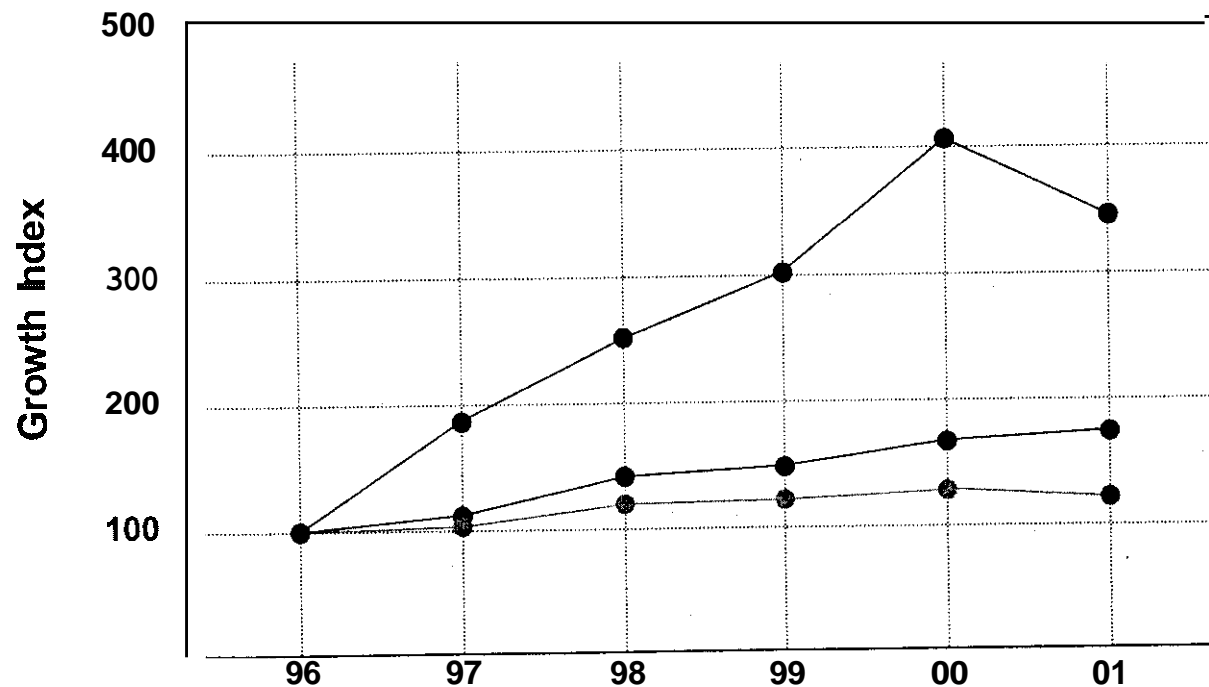
Compounded Economic Challenge



*Revenue per bit deployed

Real-World Consequences

Indexed Growth of Key Financial Metrics
(Top U.S. Facilities-Based Carriers)



CapEx



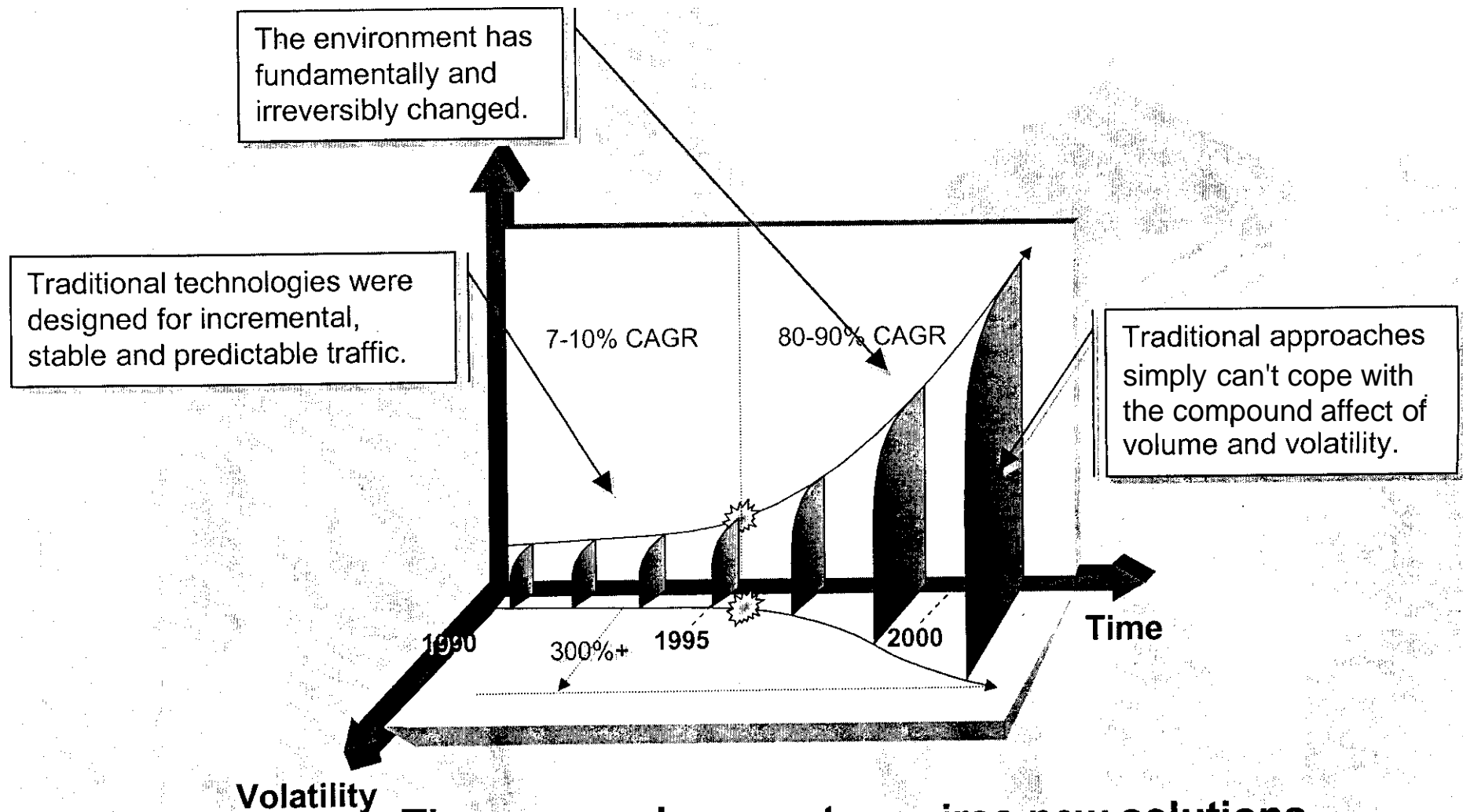
OpEx

Revenue

**Scaling
inappropriate
technologies
turned business
models upside-
down**

* Facilitiesbased IXC used in this example - similar characteristics observed for top ILECs
Source: Jeffries & Company, Inc. Equity Research (04/02), Merrill Lynch (11/01),
corporatefinancial reports, Siemens Strategic Marketing Alliance Team

Text-Book Paradigm Shift



**The new environment requires new solutions.
Conurgence is an economic imperative.**

- **Why is the telecom industry in turmoil?**

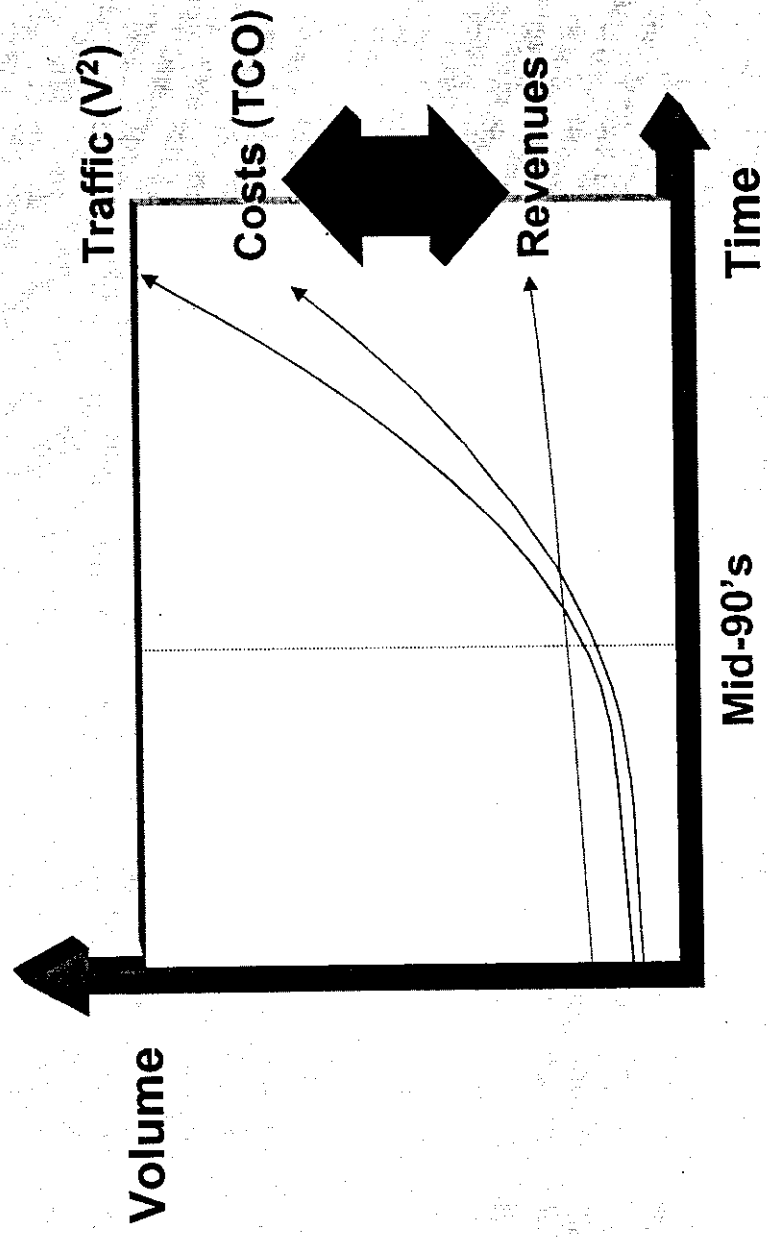
- *Root causes & consequences*

- **What will it take to get it back on track?**

- *Why “True” convergence is imperative*

SIEMENS

The Profitability Gap



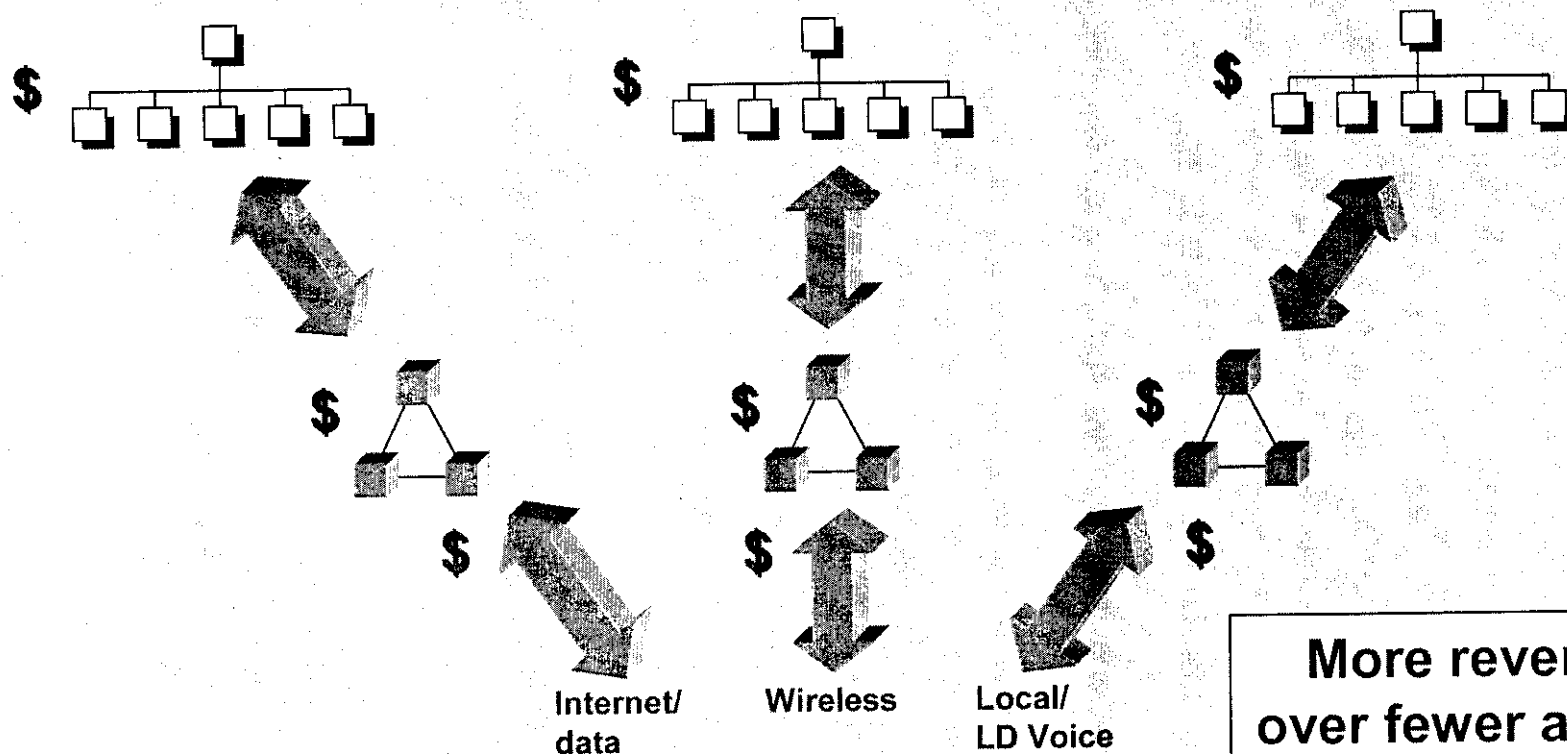
SIEMENS

Closing the Profitability Gap



Controlling Costs: Achieving "TRUE" Convergence is Critical

SIEMENS

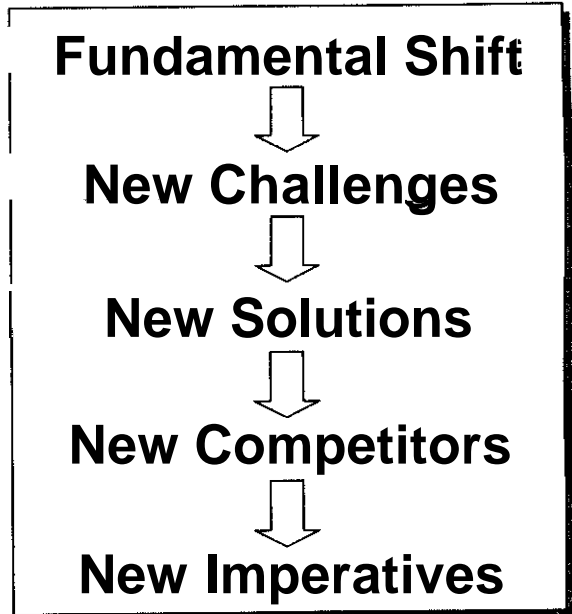
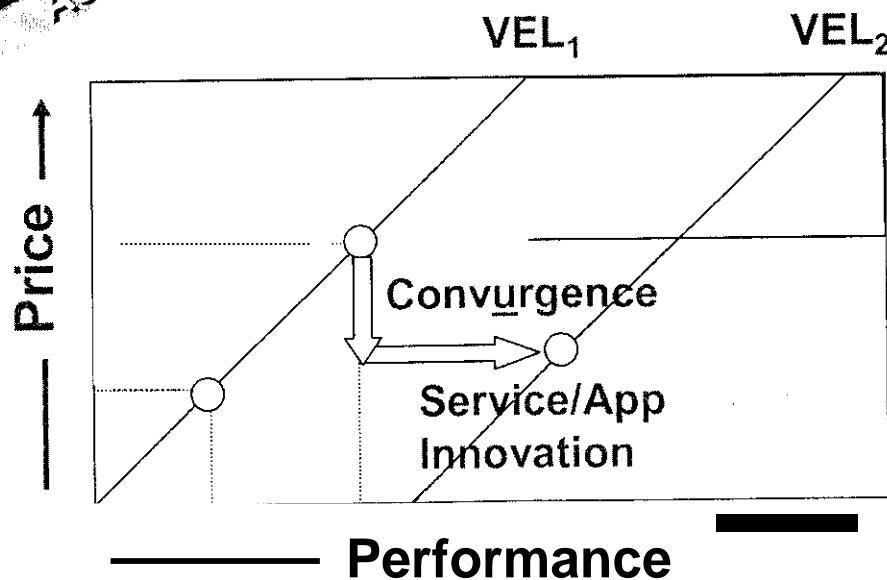
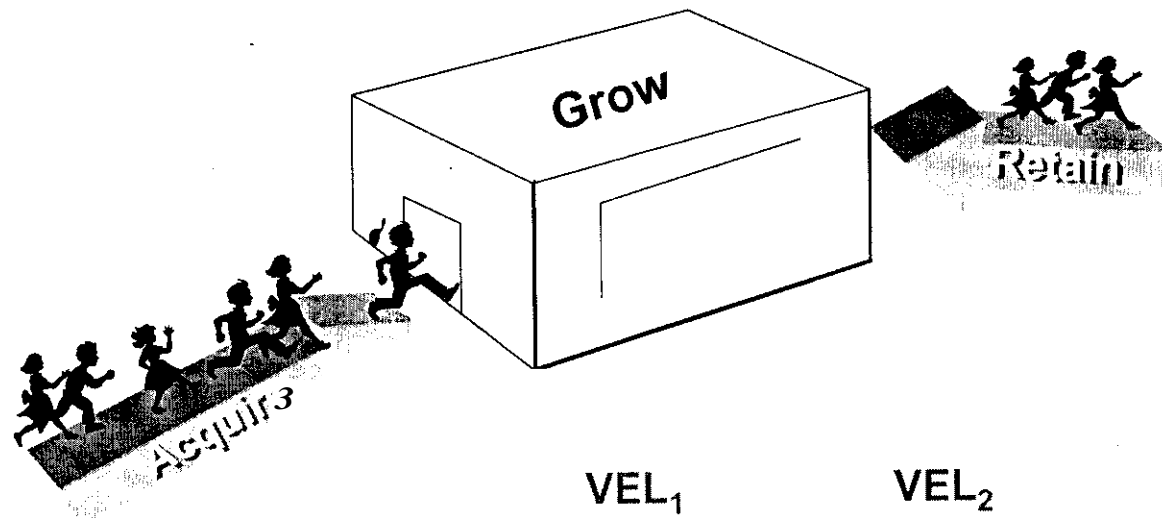


**More revenue
over fewer assets
with streamlined
cost model**



SIEMENS

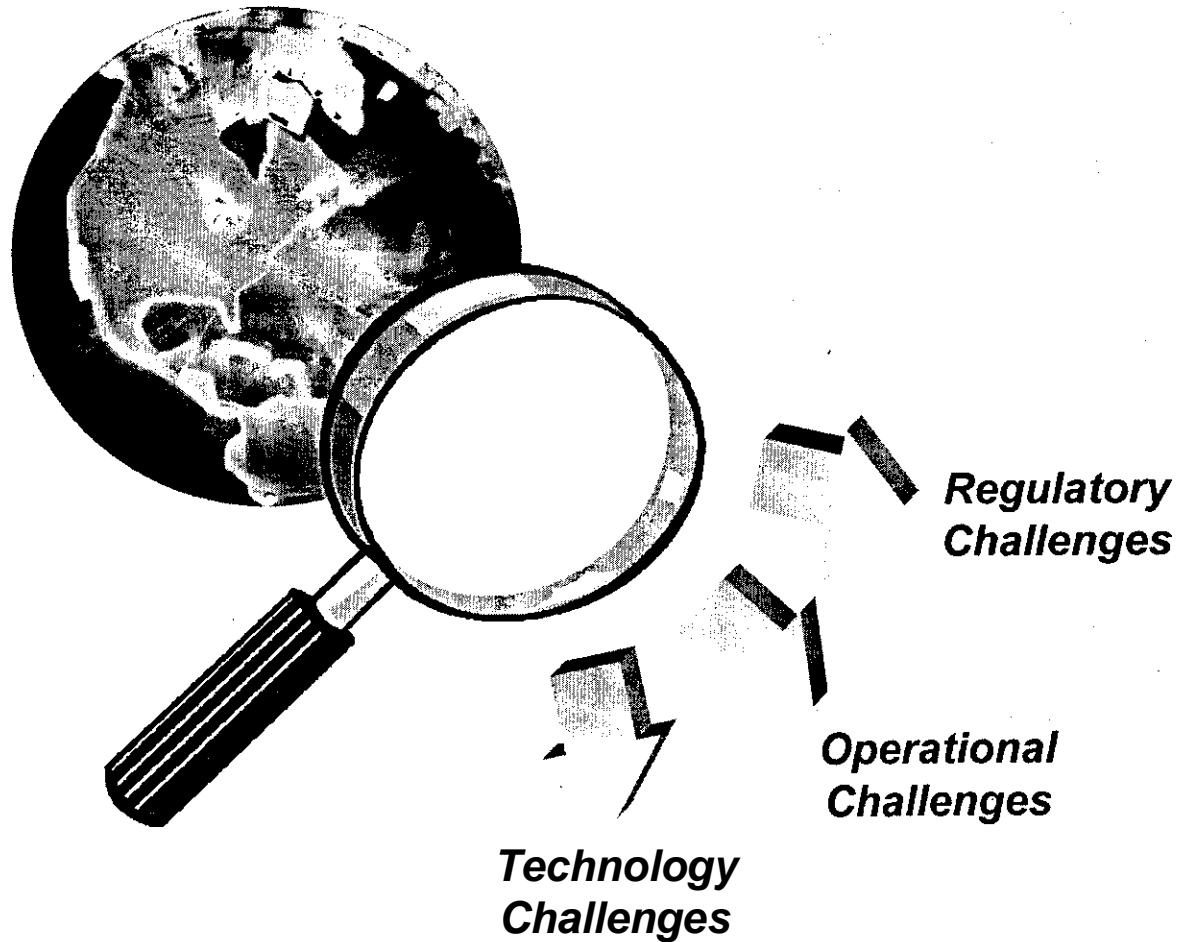
Growing Revenue = Cost Reduction + Innovation



A decision not to migrate is a decision not to compete

Getting There Requires a Comprehensive and Balanced Approach

SIEMENS



Regulatory Principles

In order to accelerate return to innovation, growth and prosperity, to the benefit of end-users, the industry and the overall economy...

- Policies must address the root economic challenges and causes of our current circumstances by enabling accelerated migration to new, converged broadband network infrastructures that are optimized for the new environment.
 - Current federal and state unbundling and pricing rules impede investment in critically needed new convergent infrastructures
 - Swift action to eliminate regulatory uncertainty should be a top FCC priority to enable decisive action by key industry participants
- Policies should focus on enabling true competition with an emphasis on accelerating the deployment of advanced communications facilities.